

Message Text

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43

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 DOTE-00 SAM-01 L-02 /083 W

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R 091115Z MAY 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 2734

INFO AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS

AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

LIMITED OFFICIAL USE LISBON 2608

E.O. 11652: N/A

TAGS: ECON, EFIN, PO

SUBJ: AUTOMOBILE CREDIT RESTRICTIONS

REF: LISBON 2023

1. AUTOMOBILE SALESMEN PUBLICLY, AND ASSOCIATION OF
AUTO ASSEMBLERS PRIVATELY, HAVE SOUGHT EASING OF LAST MONTH'S
TIGHTENED AUTO CREDIT RESTRICTIONS (REFTEL), WHICH FORMER
PREDICTED WOULD LEAD TO 45 PERCENT DROP IN SALES. THEY
ALSO CLAIMED THAT AUTO SECTOR CONTRIBUTES 21 PERCENT OF
GOVERNMENT REVENUES. HOWEVER, ASSEMBLY WORKERS THROUGH
METALLURGICAL UNION HAVE APPARENTLY ACCEPTED RESTRICTIONS
AS NECESSARY. ALL PARTIES, INCLUDING GOVERNMENT, TALK OF
EVENTUAL RESTRUCTURING/RE-TOOLING OF FRAGMENTED AND
INEFFICIENT AUTO SECTOR.

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2. THIS WEEK SALESMEN'S COMMITTEE REPRESENTATIVE CLAIMED RESTRICTIONS ARE UNDER REVIEW. LOCAL FORD OFFICIAL SAID HE WAS EXPECTING REVISION TO BE ANNOUNCED THIS WEEK, ALTHOUGH IT MIGHT TAKE FORM OF COMPENSATING INCENTIVES RATHER THAN EASING OF CREDIT.

3. FROM CONVERSATIONS WITH BANK AND AUTO ASSEMBLER OFFICIALS WE HAVE LEARNED:

A. CREDIT RESTRICTIONS WERE ISSUED BY BANK OF PORTUGAL (BP) IN LETTER TO COMMERCIAL BANKS, WHICH AUTO FIRMS HAVE NOT BEEN ALLOWED TO SEE, ALTHOUGH EXCERPTS HAVE BEEN READ ON PHONE.

B. CREDIT AVAILABILITY VARIES DEPENDING ON INDIVIDUAL BANK'S LIQUIDITY AND DEMAND FOR CREDIT FROM HIGHER PRIORITY SECTORS. SOME BANKS ARE SIMPLY NOT GIVING ANY AUTO CREDIT. HOWEVER, EVEN BEFORE LATEST TIGHTENING AUTOMOBILE CREDIT HAD OFTEN BEEN DIFFICULT TO OBTAIN BECAUSE OF OVERALL LIQUIDITY CRUNCH.

C. AN EVEN MORE IMPORTANT FACTOR LIMITING CREDIT THAN RESTRICTIONS LISTED REFTEL, IS FACT THAT BP IS NOT DISCOUNTING AUTO LOANS. COMMERCIAL BANKS, WHICH USE DISCOUNTING TO INCREASE LIQUIDITY AND RESERVES FOR FOREIGN TRANSACTIONS, ARE THUS INDIRECTLY INDUCED TOWARD RESERVING LOANS FOR OTHER CREDIT AREAS.

D. AUTO CREDIT RESTRICTIONS APPLY TO SALES OF USED AS WELL AS NEW CARS, FURTHER DECREASING POTENTIAL MARKET.

4. FIRM FIGURES ON EFFECT OF RESTRICTIONS NOT YET AVAILABLE. SEVERAL ASSEMBLERS HAVE HAD INTERMITTENT LABOR PROBLEMS AFFECTING PRODUCTION.

5. LOCAL FORD OFFICIAL INDICATED THAT ANY RE-TOOLING TO PRODUCE OTHER PRODUCTS WOULD REQUIRE AT LEAST TWO YEARS AND LARGE CAPITAL INPUT.

6. FURTHER ANALYSIS OF AUTO INDUSTRY SUBJECT OF SEPAIR.
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